

ATTACHMENT 5



To: John McHale, Patriot Coal
Jim Constant, Patriot Coal

Date: July 22, 2009

From: Vic Sprouse, Liberty Hydrologic Systems

Cc: John Sawyer, MATRIC
Jon Pauley, MATRIC
Marty Weirick, MATRIC

Re: Scalable Pilot System Proposal for Nine Streams in 2009

John,

Per our discussion, we have modified our proposal to provide "Scalable Pilot Systems" with our Liberty Hydrological Systems Treatment Units.

Our plan entails the following:

1. Installation of Scalable Pilot Systems to begin treating nine of your streams, with planned installation of all nine by the end of 2009.
2. To provide consistent pricing (without a full evaluation of each stream's selenium content and flow rate) and uniform installation where possible, we will plan on providing a modular system that can be easily expanded to fit the full flow rate of the stream as required.
3. Liberty will provide Patriot nine (9) Scalable Pilot Systems in 2009 with a more aggressive schedule of installation in 2010 as prescribed by Patriot's stream prioritization.
4. Where necessary, stream characterizations will be provided to Patriot before installation of each Scalable Pilot System to insure each System will work properly. All lab and analytical costs to complete the stream characterizations will be billed to Patriot.

5. Each Scalable Pilot System (SPS) will consist of eight (8) totes including the inlet and outlet piping for each tote, the container itself, and the reactive filtration media.
6. Each SPS will have the ability to treat 30 gallons per minute of water containing up to 40ppb of selenium. Engineering will be completed before installation of each SPS to provide expansion capabilities to treat larger flow rates as requested by Patriot.
7. Each SPS will require a payment of \$69,900 and require a lease arrangement of \$400/month/tote for the first 20 totes. The significantly reduced initial payment will cover the cost of the filtration media, tote, and inlet and outlet piping. Labor in support of the installation and any engineering and R&D costs associated with the system will be billed separately. As additional systems come on-line, the lease payment per tote will be reduced as follows:
 - a. \$400 per month for every tote, if less than 21 total are operating at Patriot locations.
 - b. \$300 per month for every tote if between 21 and 50 total are operating at Patriot locations.
 - c. \$250 per month for every tote if between 51 and 100 total are operating at Patriot locations.
 - d. \$200 per month for every tote if greater than 100 total are operating at Patriot locations.
8. Smaller size flows (less than 30gpm at 40ppb selenium) will be sized and priced separately.
9. Any pH adjustment and pre-treatment, as well as any potential winterization requirements, will be billed separately based each system's needs.
10. Replacement media within the leased totes will be provided at an additional cost (the actual tote containers are not expected to need replacement).
11. Liberty will rely on Patriot to provide the water to the SPS and a small treatment pond after the unit.

A few additional points:

1. Liberty will be utilizing its proprietary technology in this operation, the technology will remain Liberty technology and the pilot does not grant any rights to this intellectual property. Data produced from the operation will belong to Patriot.
2. The totes and reactive media will remain Liberty's property. However, should a full-scale commercial unit be purchased in the future, the containers will be recycled and used in the commercial unit at no additional cost to you. If the media can be reused or recycled, the media for the commercial unit will be provided back to you at a discounted price.

3. Liberty retains the right to use data generated at these operations to further its technology as Liberty deems appropriate. Should Patriot personnel make improvements to the operation of our leased systems, Liberty has the royalty free rights to deploy those improvements in subsequent systems.
4. Liberty requires a payment structure that includes a 30 day term of payment for the following:
 - a. An initial invoice will be issued for \$27,960 (40% of the total cost) upon approval of each SPS. Purchase of the raw materials to manufacture each SPS will begin after the initial invoice is paid;
 - b. The remaining cost of the SPS will be billed in two installment payments thirty and sixty days after the initial invoice is issued;
 - c. Staffing, delivery, travel, and other ancillary expenses will be billed as incurred;
 - d. Monthly leasing fees will begin on the 1st day of the first full month of operation of each system and will be billed monthly;
 - e. Liberty reserves the right to charge a 1.5%/month interest surcharge for late payments.

We are ready to proceed upon your approval. If you have any further questions, please don't hesitate to contact me, vic@libertyhydro.net or 304-552-1211. We look forward to your approval and an opportunity to resolve this issue for your company.

Sincerely,

Vic Sprouse
Liberty Hydrologic Systems